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Editorial Notes.

Indore Conferences.

It was rather extraordinary that two important co-operative conferences should have taken place simultaneously in the city of Indore in the last week of November. One was the Holkar State Co-operative Conference, presided over by Dewan Bahadur S. Aravamudu Aiyangar of Hyderabad, and the other the Central India, Rajputana and Gwalior Co-operative Conference, presided over by Mr. V. Ramadas Pantulu. The first began on the 25th and the second on the 26th November and the proceedings lasted in each case for two or three days. Why the Holkar State Conference was not merged in the wider conference, why the latter was not held at some place other than Indore and why they were made to synchronose with each other, only the co-operators of Indore who are in the know of things can answer.

Little is known regarding the spread of the co-operative movement in Rajputana. The statistics relating to none of the Rajputana States are included in the annual statements relating to co-operative

societies published by the Government of India. But those relating to Gwalior, Indore and Bhopal which are in Central India are included. In area, population and revenue Gwalior is much bigger than Indore and Bhopal. Therefore it should not be surprising if Gwalior has more co-operative societies than the other two States. As a matter of fact Gwalior has more societies than any other State. In 1933 it had 4069 societies, whereas Hyderabad, Mysore, Kashmir and Travancore had 2,532, 2,180, 2,943 and 1786 respectively; and Bhopal had 954 and Indore 675. In respect of membership and working capital, Gwalior is not ahead of Hyderabad, Mysore and Kashmir, but it is ahead of Indore and Bhopal. The Gwalior State has given more Government money for the use of co-operative societies than any other State. In fact, the difference between Gwalior and other States in this respect is very striking. At the end of 1932-33 out of a total working capital of Rs. 94·77 lakhs as much as Rs. 32 lakhs was Government money in Gwalior; whereas in Mysore, Hyderabad and Kashmir it was only about Rs. 4 lakhs, though the working capital of Mysore and Hyderabad was Rs. 223 lakhs and of Kashmir Rs. 101 lakhs. The Registrars and other delegates of Gwalior and Bhopal attended and also participated in the proceedings, and the conference cannot but be of great help, along with the new Anglo-Hindi quarterly journal that is published at Indore, in spreading and developing the co-operative movement in Rajputana and Central India.

Elsewhere we have given extracts from the speeches of Messrs. Aravamudu Aiyangar and Ramadas Pantulu. Mr. Aiyangar did well to ask co-operators not to feel unduly dejected over co-operative disappointments—defalcations, misappropriations, 'the deplorable depravity of some of our erstwhile co-operative workers who have been not reluctant to bask in the sun-shine of official praise and non-official approbation'—because such things happened elsewhere also and joint-stock banks or individual bankers were not better than co-operative institutions. He urged the construction of roads and irrigation canals on a large scale as a measure of rural unemployment relief for some years to come, the work to be given to co-operative societies of labourers and not to individual contractors. A practical

item of this nature he valued more than any amount of planning and talking. We hope at least some Local Bodies will take up the idea. Mr. Ramadas Pantulu made an earnest appeal for the greater development of co-operative *morale* among co-operators. He said, "It is claimed by us that 'union,' 'justice' and 'peace' are the three spiritual and moral basements upon which are lying the foundations of the co-operative movement. If union gives place to dissension, justice to wrong and peace to strife, does it not mean that there is an end to co-operation? And yet that is what is happening in many of our institutions. To add to our troubles, political and communal differences which have absolutely no place whatever in co-operation have also found their way into the movement. All this must cease." In the course of his instructive address he further dealt with the financing of the agriculturist for different purposes, and with co-operative education. It may be confidently hoped that the addresses of these distinguished co-operators from outside have greatly stimulated the co-operators of Indore.

Health Societies in Yugoslavia.

Though public health and the provision of medical relief for the poor are everywhere recognised to be a function of the state, co-operative health societies have been started in some areas, necessarily on a voluntary basis, either because the resources of the state are inadequate or because it does not move quickly enough and the people cannot afford to wait for its convenience. Such health societies exist, for instance, in Bengal, Japan and the new state of Yugoslavia. A good account of the health societies of Yugoslavia is published in the *International Labour Review* of Geneva for July 1935 and it has also been published as a pamphlet. These societies are organised in rural areas where ordinarily private medical practioners are not found, and the people are very poor. Some surveys of living conditions made before the War revealed the housing conditions to be very unsatisfactory, according to European standards. And that half the children of the peasants died in childhood—a state of things nearly as bad as in our own country. The first health societies in

Yugoslavia were started in 1921 but it is after 1928 that their progress has been noteworthy. Their programme is:

> To place doctors in the villages; to guarantee a livelihood which is not directly dependent on the capacity to pay of each individual sick person; to provide as inexpensively as possible for the supply of medicines and articles of hygiene; to educate the people in health matters; to plan and enforce the necessary preventive measures; and to carry out the drainage, water supply, and building operations of every kind which the villages lack.

The funds of the societies are derived chiefly from the share capital and contributions to a fund known as the health fund. The share capital payable by a member varies from 10 to 100 *dinars* the usual amount being 50 dinars. (A dinar is equivalent to about eight annas). The liability of a member extends to ten times the share. The health fund is a kind of sickness insurance fund. Contributions to it are usually optional but may be made compulsory by the decision of the general body. The amount of contribution differs in different societies, and the larger the membership the smaller is the payment. In larger societies it is fixed at 60 dinars per year. Though in theory it is payable monthly, it is usually paid at the harvest time. Payments may be made in kind—in milk, cheese etc.—and these are then sold by the agricultural co-operative societies.

In its elementary form the society engages a few rooms for a dispensary and a doctor who is paid out of the general funds of the society. He is allowed to charge fees according to a scale fixed by the society for consultation, home visits, night work etc. Consultation is free to those who subscribe for the health fund. Generally a nurse or midwife is also engaged. The doctor must of course live in the village. He is generally a married man and his wife is expected to help him in his various duties. As soon as funds permit the society proceeds to construct its own "health house" which not only accommodates the dispensary and some beds, but also provides quarters for the doctor and other staff and contains rooms for meetings, lectures etc.

The preventive and educational work of the societies is very considerable, in which the doctor plays the most important part. Vaccination is made free and general, that is, it is not confined to members' children. Infants, mothers, and expectant mothers are visited once a week by the doctor free of charge. Schools are medically examined, treatment and even medicines for the poorest are given free. Campaigns are launched against malaria, venereal disease, tuberculosis etc. A varied programme for the improvement of the sanitation of the village is undertaken, such as laying pipes and drains, constructing latrines, wells etc. Talks, lectures, exhibitions, classes etc., are arranged not only for adult members, but also for organised sections of juveniles and women, including practical courses on such agricultural subjects as growing vegetables and flowers, poultry-keeping, pig rearing etc.

The work of the health societies thus includes a comprehensive programme of rural reconstruction. In carrying it out they are receiving every encouragement from the state, which is very glad that its own work is so efficiently supplemented by these societies.

Conditions in our country are not a whit better than they were in Yugoslavia and the need for health societies is particularly urgent in some areas. What is needed is an energising kindling of souls and organisation. When will it come about?

The Salem Stores.

We wish to draw the attention of the Registrar to the letter published elsewhere from the Secretary of the Salem City Co-operative Stores, Ltd., wherein he complains that the Deputy Registrar is objecting to co-operative societies joining the Stores as members, though the by-law permits 'any institution' to be a member. The point of difference between the Deputy Registrar and the Society appears to be regarding the interpretation of the word 'institution', the Deputy Registrar holding that it does not include a co-operative society. We fail to understand how such a narrow interpretation could be justified. Commenting on the word "persons" occuring in section 6 of the Co-operative Societies Act of 1912, Calvert points out that according to section 3(39) General Clauses Act (X of 1897) person includes any company or association or body of individuals whether incorporated or not, and that in Bengal joint-stock companies are now by rule specially excluded. Thus institutions of all kinds could become members even without a specific provision in

the by-law. But after permitting the inclusion of the word 'institution' in the by-law, to so interpret it as to exclude co-operative societies appears to be altogether unreasonable. It is the commonest thing for co-operative societies and other institutions like hostels, temples etc., to be members of co-operative stores. At our last Provincial Co-operative Conference a resolution was adopted requesting the authorities of temples, hospitals and educational institutions to join co-operative stores and buy their requirements from them. Under such circumstances to object to co-operative societies getting their requirements from a co-operative institution is very strange. We trust the Registrar will look into this matter.

The Government Telegraph Employees' Society.

The report of the Government Telegraph Employees' Co-operative Society, Madras, for the year 1934-35 speaks of a great reduction in fixed deposits from non-members on account of the rate of interest on them being reduced to 2½ per cent at the beginning of the year. They amounted to Rs. 1,63,175 in 1930-31 and were gradually reduced by lowering the rate of interest, as deposits from members became more and more available. The reduction in 1934-35 was from Rs. 64,580 to 30,510. The system of compulsory thrift deposits by which every member is obliged to pay to the Fund a percentage of his salary—worked quite satisfactorily. On this deposit the Society not only pays an interest of 5 per cent but in addition gives a bonus out of the net profits of the society. During previous years this bonus was 4 per cent, but as the rate of interest on lendings was reduced during the year under report, the Directors have proposed that the bonus should be only 2 per cent. The example of this society in encouraging thrift by offering an attractive rate of interest and a bonus in addition, deserves to be copied widely. For if a society does not teach thrift to its members, it has absolutely failed in its purpose. The Society has also a department of non-credit activity. It has a store branch for the sale of cloth—and what is especially remarkable is that all the cloth is obtained from the weavers' co-operative societies of Salem and Coimbatore. From April last a tailoring section has been added which also is reported to be working satisfactorily. The free public reading room and library conducted by the society were quite popular, the total attendance being more than 12,000 and the number of books issued for home reading being 7,446 volumes. We wish the Society continued success and prosperity.

Insurance and Land Mortgage.

The Bhimavaram Co-operative Land Mortgage Bank has recommended to its members, in its administration report for 1934-35, the dismortgage insurance policies instituted by the South India Co-operative Insurance Society. The advantage is best explained by an illustration. Let us suppose that a member aged 20 takes a mortgage loan of Rs. 1,000 from the Bank. He will have to pay Rs. 90-12-1 (the interest being calculated at 6½ per cent—it would be less at 6 per cent interest) annually for 20 years, the period of the loan. There is the risk of his death within the period, and in that case, his family which is deprived of its earning member, will have to continue to pay the annual instalments. But if he takes a dismortgaging insurance policy, the Insurance Society will pay the balance of the loan and hand over the freed property to the family. For this insurance policy he may either make a single payment of Rs. 87-5-0 or an annual payment of Rs. 8-2-0. By taking this policy he will be freeing himself and his family from a very serious worry. The additional payment required to be made is a comparatively small one. It is like insuring against the risk of fire or accident. It is also to the interest of the land mortgage bank to persuade its borrowing members to take these policies. We hope all primary land mortgage banks will adopt this course.

A New Co-operative Journal.

We extend a hearty welcome to " Sahakari Madya Bharata," an Anglo-Hindi Co-operative quarterly, intended to serve the States of the Central India Agency, and published under the auspices of the Indore Co-operative Central Association. Though the Editor, out of modesty we suppose, ' believes an apology is due for undertaking the publication, we should like to assure him that it is not so at all. The need for education and propaganda regarding the principles and objects of the co-operative movement both among members of societies and the general public is so great, that the more journals there are, especially in the vernacular, the better. The first number of " Sahakari Madhya Bharata " was published in September last and contains a gracious message from His Highness the Maharaja of Indore, which shows his deep interest and faith in the movement. The English and Hindi sections are independent. The Hindi section, which is the bigger, is rightly intended for the villager and contains matter which is of particular interest to him. The

get-up of the journal, including the illustrations, is creditable to Indore. We wish our new contemporary a long and useful career.

Dharwar Urban Bank.

The Southern Mahratta Urban Co-operative Credit Bank Ltd., Dharwar, is one of the oldest and biggest urban banks in Bombay Presidency. According to its 28th annual report for the year ending 30-6-1935, it had a membership of 3,533 of whom 318 were women. The Bank issues loans on the security of both immovable and movable properties, among the latter being gold and agricultural produce. The total amount of loans outstanding against members was Rs. 5. 65 lakhs of which Rs. 3. 82 lakhs or 68 per cent was overdue—a very high proportion for an urban bank. The financial position of the Bank is, however, thoroughly sound as the amount of bad and doubtful debts is stated, by a qualified special auditor who examined these debts, to be about Rs. 23,000, the whole of which is covered by the bad debts fund. Among other services the Bank distributes quinine to its members, and we are told the demand for it is increasing. Very strangely, it complains of 'cut-throat competition' by the Karnatak Central Bank and its reduction of interest rates on gold loans to 4½ per cent and godown loans to 5 per cent. Finding the Registrar on the side of its rival, the Urban Bank has threatened to bring down its own lending rates to the level of the former, assuring its members, however, that it will still be able to declare a decent dividend! There seems to be every reason for the members of the Urban Bank to thank the Central Bank.

Federations

By Prof. S. K. Yegnanarayana Iyer, M.A.

In the first article[1] of this series I tried to give a brief summary of the report of the Bombay co-operators who recommend the formation of district federations of supervision as well as a provincial board co-ordinating the activities of these district organisations. In the second article[2] I tried to trace the history of our own experiment in this province regarding the formation of the district federation of supervision and its work. In this short and the last article of the series I shall try to draw a few lessons from our own experience in this matter.

In a perfectly organised system of co-operative societies, perhaps, there will be no need for any separate supervising organisation. In that ideal world, members of every primary society will be so thoroughly trained in the essentials of co-operation that they will run their society in an ideal way requiring no supervision from an outside agency. But we live in an imperfect world and our co-operative societies are run by human agencies that are far from perfect. Hence the need for supervision has been felt to be more and more urgent. For the purpose of our study it is taken for granted that primary societies should be conveniently grouped under supervising unions for efficient supervision and the real question is whether these supervising unions should be put in charge of central banks or whether a special institution called 'Federation of Supervising Unions' should be brought into existence. Our brethren in Bombay are for the latter course. Our experience in this province who anticipated the very experiment which our Bombay brethren are going to perform is somewhat discouraging. Let us see what lessons we have to gather from its failure.

Let us analyse the causes as to why these district federations that were brought into existence under such favourable auspices failed one after the other. The first and foremost cause of their failure is that they were not natural growths but were created by persons in power who were convinced about their necessity. So long

[1] Published in the August number under the title "supervision in Bombay."

[2] Published in the September number under the title "Federations, their Rise and Fall."

as a Registrar was an advocate of the federations they came into existence in large numbers and they flourished ; but when that Registrar gave place to another who had not so much of faith in the need for the existence of this organisation, they began to wither away. That is, they did not supply a long felt want, but were brought into existence by the authority of one Registrar. They required the sunshine of official encouragement to flourish and when that vitalising element was withdrawn, they withered away.

Secondly, like every institution it had an idea underlying it. It was based on the assumption that supervision and finance must never go together. It was presumed that supervision required patience, adaptability, willingness to face difficulties and overcome them and many other virtues which finance, sitting on its throne of authority, was supposed to be deficient in. And it was sincerely believed that Central Banks caring only for their financial stability would give the go by to the co-operative principles and would introduce business principles (as if co-operation and business principles were radically opposed to each other). This view might have been somewhat justifiable years ago when Central Banks were entirely or mainly under the control of individual share-holders who in spite of their being pioneers in co-operation were looked upon simply as financiers; but whatever its justification then, in recent years when all our financing banks have been converted into banking unions consisting mostly of borrowing co-operative primary societies as constituents, the imaginary divorce between supervision and finance has now ceased to exist and hence an institution based upon this principle seems to have outlived its usefulness.

Thirdly, it is notorious that our country is educationally very backward and the struggle for existence among the few educated people is so hard that very few of them are willing to come forward and devote their time and energy in an honorary capacity for the working of co-operative institutions. The financing banks being first in the field were able to attract the services of a large number of these pioneers and when federations were brought into existence, the paucity of human material was keenly felt and very often the same persons had to be in both the bodies, or if fresh men were found for federations they were not of the same calibre as the leaders of co-operation who ran the district banks.

Fourthly, it sometimes happened that the human agency running the federation consisted of people who had contested the seats on

the management of the central bank and had failed, so that the federation under the influence of these disappointed candidates came to take up an attitude not of co-operation, but of antagonism to the central bank. In this unequal contest federation being the weaker got the worst of it.

The weakest point in the federation was its lack of finance. The only source of income for the federation was the supervision fund, whether contributed as supervision fund by primaries or granted as rebate on loan transactions with the primaries by the central bank. Its chief financier was the central bank, and so long as the central bank tolerated the existence of a separate organisation and was willing to finance it things went on well. But when the banks themselves felt competent to take up the work of supervision of their constituent bodies and came to look upon the federation merely as a fifth wheel of the coach, they could, and did, make the position of federations very unenviable.

The federations did not fare better at the hands of the unions. The unions did not like the idea of the federation coming in between them and their supervision fund, taking it away from them, pooling it in a central manner and redistributing it and getting control over the supervising staff who were their immediate subordinates. There was a clash between the desire for autonomy on the part of unions and the need for centralisation of men and money in the hands of the federation for the sake of efficiently working of the supervising machinery.

Moreover, in this pooling at the centre the strong unions who were otherwise able to look after themselves did not very often exhibit the true co-operative spirit. They felt somewhat aggrieved that their contribution should have been appropriated to a small extent for financing weaker unions.

It may be that all these causes did not operate simultaneously and in all districts. They might have manifested themselves under all possible permutations and combinations. Yet we shall not be far wrong if we say that at the bottom of the downfall of a federation we would find some or all of these causes operating.

In the light of this analysis of the causes that led to the failure of federations in our province, the writer of this article would be excused if he were to advocate the entrusting of all supervision to District Banks under certain safeguards and conditions and not view with favour the creation of a separate organisation for supervision.

Over and above the weakening causes enumerated above, we would do well to consider the significant fact that in the present condition of our literacy and availability of men, it is a wise policy not to duplicate the machinery, wherever such duplication can be avoided without sacrificing efficiency. Central Banks have acquired a certain amount of prestige on account of their financial stability and the good work they have been doing, and in the light of the fact that rivalry between finance and supervision, whatever its justification a decade or two earlier, has now disappeared, there is no harm in entrusting supervision of constituent bodies to the bigger body composed of its constituents. Central Banks may very well be entrusted with the task of co-ordinating the activities of supervising unions, of guiding them and financing them if and when necessary.

The safeguard referred to is this: In these days of democratic elections it very often happens that an elderly co-operator whose advice would be valuable but who is not prepared to stand the rough and tumble of a modern election, gets no chance to serve even though he is able and willing to serve the movement. The supervising branch of the Central Bank should frame subsidiary by-laws whereby such co-operators of experience might be co-opted for working in this section so that their valuable experience might be available. With this safeguard the Central Bank might very well be empowered to be in charge of supervisory work in the district.

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Section 28 of the Co-operative Societies Act (VI of 1932)

By P. K. Srinivasaraghavacharya, b.a.

The provision of law that enables the Registrar of the District to execute a decree obtained by a society is section 28 of the Act VI of 1932. There it is said 'Whenever a decree or order of a Civil Court, a decision or an award of the Registrar or arbitrator or an order of the Registrar or liquidator is obtained by a registered society for the realisation of money, the Registrar or any person subordinate to him empowered by the Registrar in this behalf may, subject to such rules as may be prescribed by the Local Government, recover the amount due under such decree, award or order together with the interest if any, due thereon and the costs of the process by the *attachment and sale* of the property of the person against whom such decree, decision, award or order is obtained.'

The rules prescribing the procedure for executing the decrees which under section 28 the Registrar is empowered to execute are to be found in Rule XXII (i) and its sub-rules. Rule XXII (i) says 'Any decree-holder requiring the provisions of the Act to be applied shall apply to the Registrar. Sub-rule (3) (i) says that ordinarily movable property of the defaulter shall be first proceeded against and sub-rule (ii) says the immovable property mortgaged to the decree-holder or other immovable property belonging to the defaulter may be proceeded against. Sub-rule 7 lays down the procedure to be followed in the attachment and the sale of immovable properties.

The question is as to whether under the provisions of section 28 of the Act the Registrar is empowered to execute mortgage decrees. The rules no doubt indicate that a mortgage decree is made executable by the provisions of section 28. (Please *vide* Rule XXII (3) (ii), If by application the scope of section 28 is limited to the execution of money decrees only, the rules cannot enlarge that scope by stating that mortgage decrees also were intended to be effected by section 28. The clear language of section 28 restricts its operation to decrees for the realisation of money. Those decrees can be executed by the Registrar by attachment and sale of the property of the judgment-debtor.

Rule 30 of Order XXI of the Civil Procedure runs as follows:— 'Every decree for the payment of money including a decree for payment of money as the alternative to some other relief may be executed by the detention in the civil prison of the judgment-debtor, or by the attachment and sale of his property or by both.' In section 73 of the same Code the expression 'decrees for the payment of money' occurs. It also occurs in Order XXI, rule 16. In construing what that expression means the High Court had to decide as to whether a decree for sale in a mortgage suit comes within that

definition. All the reported cases make a distinction between decrees for the payment of money and decrees for the sale of property. It is sufficient if reference is made to a decision of the Madras High Court reported in I.L.R. XLVII Madras 948. There the scope of the proviso to Order XXI, rule 16 was considered. Their Lordships following a series of decisions of the Calcutta High Court came to the conclusion that a decree for sale is not a decree for the payment of money. In the form in which mortgage decrees are drawn up there is always a direction that the judgment-debtor should pay the decree amount. (Please *vide* Form 11 in appendix D to schedule 1 of the Code of Civil Procedure.) In spite of such a direction it has been held that a decree for the sale of the mortgaged property is not a decree for the payment of money.

This contention gains strength from the language of section 28 and the rules and sub-rules relating to execution. The language used is 'attachment and sale of the property of the person against whom the decree has been obtained.' Attachment is unnecessary in cases where the decree that is being executed is one obtained on a mortgage. As the Madras High Court is pleased to observe in XXXIII Law weekly 559 at 560 'to require attachment of the property to be sold is inconsistent with the sale in execution of property mortgaged or charged'. It is to be understood that the legislature was aware of this decision which was pronounced on 12-12-1930. In fact a Full Bench of the Allahabad High Court has approved of this well known proposition of law that the Legislature must be presumed to know the course of Judicial decisions. (Please *vide* 1930 Allahabad 225). It is also to be understood that the Legislature does not enact anything that is superfluous or unnecessary. Hence the only possible conclusion that one can arrive at from the language of section 28 is that the Legislature intended that all decrees except mortgage decrees for sale should be made executable by the Registrar. It does not matter that the rule making authority contemplated execution of mortgage decrees also by the Registrar. If the Act does not authorise the execution of mortgage decrees by the Registrar the rule making authority by making rules for such execution cannot vest him with powers which the Legislature did not vest him with.

It has therefore to be seen that unless and until section 28 and the rules are amended as follows there is sure to be some trouble with regard to execution proceedings relating to mortgage decrees. The proposed amendment is that an explanation to section 28 be added 'The expression Decree for realisation of money in this section includes (and shall be deemed always to include) a mortgage decree for sale', and as a proviso to that section be added 'Provided that it will not be necessary in execution of a decree for sale or one creating a charge to attach the property mortgaged or charged.'

Co-operation in Japan.*

Japan being the most advanced Asiatic country in almost every respect, a study of the co-operative movement in Japan is bound to be of very great interest to co-operators in this country, and it is also likely to suggest some directions in which we may well follow its example. The area of the Japanese Empire is about 240,000 square miles and its population about 90 millions. The area and population of Madras Presidency being 141,075 square miles and 46·74 millions respectively, Japan has a little less than twice the area and population of this province. Let us bear this fact in mind in comparing the progress of the co-operative movement in that country with its progress in our province.

As in India, the earliest attempts at the organisation of co-operative societies in Japan took place some years in advance of the passing of the law relating to them. The law was passed in 1900 but the attempts at starting societies began in 1892. But as in India the movement took root only after the law was passed. The provisions of the law in Japan are generally similar to those in India—in fact India benefited considerably by the example of Japan whose law was passed a few years earlier. But there are some differences which it would be interesting to note.

Four distinct objects are recognised: credit, sale, purchase and utility. Sale societies correspond to our societies for 'production, production and sale' and purchase societies are consumers' societies. The object of utility societies is the possession in common of machinery and other means of production for the benefit of their members. Two or more objects may be combined in a society; and as societies are classified according to their objects, they result in 15 classes of societies with and without combination. It looks as if some of our very useful societies, such as those for the consolidation of holdings, arbitration societies and better living societies, have not been thought of in Japan. Perhaps, the social conditions there do not make such societies necessary. Nonetheless our law seems to be more elastic in this respect.

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* The facts and figures in this article are taken from a small book, "The Development of Co-operative Movement in Japan," published by the Central Union of Co-operative Societies in Japan, Tokyo, 1934.

The law in Japan recognises three kinds of liability—limited, unlimited and guaranteed. By unlimited liability is meant exactly what is meant in our country. In limited liability, the liability of a member is confined to the shares taken by him, while in guaranteed liability the liability extends upto a fixed sum beyond the shares. By an amendment of the law made in 1932 limited liability is to be converted into guaranteed liability in the course of five years.

What is most remarkable in respect of liability is that societies with unlimited liability form only 8 per cent of the whole, though 85 per cent of the societies have credit as their object either singly or in combination and more than 70 per cent of the members of societies are agriculturists as in India. In this respect we think the Japanese are wiser than we have been. Unlimited liability has not yielded, at any rate in our country, the moral and material results that were expected of it. Nor is it easy of enforcement in practice. It has not proved a greater guarantee to the creditor against loss than limited liability. On the other hand, it has the serious disadvantage of keeping out intelligent and propertied men from societies who would have been invaluable in managing them efficiently. The fact that everywhere in our country limited liability societies are more efficient than the unlimited liability ones should open our eyes to the superstitious regard we have conceived for unlimited liability. As in Japan, unlimited liability should become the exception and not the rule in the case of our agricultural credit societies.

Eligibility to membership is confined to persons who are economically independent. That is not the case in our country. We have therefore cases of husband and wife and members of joint families being members of a society and standing surety for each other, only to comply with the literal requirements of by-laws, but without adding to the security of the loans. It would be an advantage to adopt the Japanese idea of economic independence as a qualification for membership.

Special requirements are imposed upon the general body when important business has to be transacted such as the election of office-bearers, the amendment of by-laws etc., these requirements being the votes of at least half the members and a three-fourths majority. For less important business a majority decision of those present suffices. While the principle of one man one vote, irrespective of the number of shares held by him, is accepted, voting by proxy is allowed. But for this provision, we should think, it would not be possible to satisfy

the special requirements mentioned above for transacting important business. Managing committees are generally smaller than here, consisting usually of three, five or seven members. Their services are generally unremunerated, but in some cases one of them is appointed as manager with a fixed salary.

One-fourth of the net profits is to be carried to the reserve fund as here. In addition, all entrance fees and "premiums paid on the increased value of shares" etc., must also be allotted to the reserve fund. The value of shares is thus not kept at par by law as here. The dividend on share capital is generally limited by law to 6 per cent; but in some exceptional cases even 10 per cent is permitted. There is no restriction on the rate of rebate on sales and purchases.

The State in Japan has accepted the same responsibility for encouraging and guiding co-operative societies as the State in India. But there is no separate officer corresponding to our Registrar. The administrative heads of divisions, which correspond to our districts and divisions, and the Minister of Agriculture and Forestry have powers of control and supervision. Urban banks are in addition also under the control and supervision of the Finance Ministry. But as there is no separate special department to look after co-operative societies, the supervision and control of Government is probably more theoretical than real, unlike what it is in our country.

As in this country, co-operative societies are exempted from the payment of income tax, registration fee, profession tax etc. Audit, however, does not appear to have been taken up by the State as its duty even in the case of small societies. Loans at a low rate of interest are given to the societies on a larger scale than here. Special facilities are given by Government to co-operative societies if they are willing to undertake contracts of work, which we are afraid is not the case in our country.

In 1932 there were in the Empire of Japan 14,352 societies. The Madras Presidency had at that time about the same number of societies viz., 14,539. The number of members in the Japanese societies, however, was about 5 millions, whereas that in Madras societies was less than a million. The working capital of the Japanese societies was 170 crores *yen* (ordinarily a *yen* = Rs. 1-8-0); that of the Madras societies was 17 crores of rupees. That is to say, the working capital of the Japanese societies was about fifteen times

greater than that of our societies. After 1925 there has practically been no increase in the number of societies in Japan, due to a policy of amalgamation and consolidation; but there has been considerable and steady increase in membership, working capital and business turnover. The total number of cities, towns and villages in the Empire of Japan is only 11,646, whereas there are more than 52,000 of them in Madras Presidency with only half the area and population of Japan. In every village and town in Japan there is at least one society.

Societies in Japan would appear to serve their members to a far greater extent than they do in our country. At the end of 1932 the loans outstanding in credit societies are reported to have amounted to more than 101.75 crores *yen*; the loans granted amounting to 197 crores *yen* and those repaid to 95.26 crores *yen*. (It is not clear whether the loans granted relate only to the year.) Saving deposits paid into the credit societies, presumably by members, amounted to 174 crores *yen* and those withdrawn amounted to 117 crores *yen*, leaving an outstanding balance of 57 crores *yen*. Thus it is clear that the objects of credit societies, *viz.*, the provision of credit for industry and the encouragement of savings, are very well realised there, unlike what it is in our country.

The difference between our societies and Japanese societies is even greater when we consider non-credit transactions. Of the total number of societies as many as 71 per cent had the co-operative sale of the produce of their members as their object, either singly or in combination with other functions. The total value of the produce sold co-operatively in 1932 was 20.28 crores *yen*, the chief articles sold being rice (6.74 crores *yen*) cacoons (3·04 crores *yen*) and raw silk (4.91 crores *yen*). Other articles included wheat and barley; vegetables and fruits; rush, straw and their finished works; earthern wares and tiles; drapery and hosiery; products of forestry and fishery etc. Eighty per cent of the societies purchased raw materials, tools and machinery amounting to nearly 7 crores *yen* and articles of daily consumption amounting to 7·3 crores *yen*. Apart from these there were 192 consumers' societies of the British type for wage-earners and salaried men, with a membership of 190,000, which supplied articles to their members worth 1.9 crores *yen*.

Fifty-three per cent of the societies had " utility " as their object, chiefly in combination with other objects. Many of them owned machinery for the use of their members: 512 societies for cleaning

rice, 282 for preparing barley, 341 for crushing manure, 197 owned silk mills etc. The rents collected exceeded 57 lakhs *yen*. 3,313 societies had provided storages, which satisfied the requirements of the law in this respect, for agricultural produce including storages for cacoons.

There are federations of different classes of societies. Those of credit societies are the best developed. Among the federations of sale societies those for the sale of raw silk are said to be the most flourishing.

Japan has its own Co-operative Wholsale Society—its C. W. S.—with its productive works. Its total sales in 1932 amounted to 3.56 crores *yen*, of which materials for industrial use such as fertilisers and fodders amounted to 3.23 crores *yen* and requisites of daily consumption to only 33 lakhs *yen*.

It has also a Co-operative Union for education, investigation and propaganda.

Altogether the movement is far more real and virile in every respect than it is in our country.

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Co-operation in the Legislative Council.

29th October 1935.

Reasons for refusing the registration of the Depressed Classes Co-operators' Federation, Madras.

* 258. Q.—Rao Sahib V. I. Muniswami Pillai: Will the Hon. the Minister for Public Works be pleased to state—

(*a*) whether it is a fact that the co-operative propaganda among depressed classes is now carried on by the Madras District Central Bank:

(*b*) whether the attention of the Government has been drawn to the inadequate propaganda carried on by the above bank;

(*c*) whether it is a fact that the Central Bank has appointed a defaulter of a co-operative society, who was responsible for several misappropriations and consequent liquidation, as a propagandist;

(*d*) whether it is a fact that Mr. H. M. Hood, I. C. S., former Registrar of Co-operative Societies, ordered that the defaulter should not have anything to do with the Madras City Societies;

(*e*) whether it is a fact that the Registrar of Co-operative Societies inspected the depressed classes co-operative societies in the City of Madras during April 1935 last and the names of the various societies which he visited;

(*f*) whether during his inspection, there were several requests for the registration of the Depressed Classes Co-operators' Federation; if so, what his reply was;

(*g*) when the Registrar last inspected the Madras District Central Co-operative Bank, Limited, and whether he made enquiries as to the several complaints made by the public either by letters or through the press and with what results;

(*h*) what action has been taken on the several resolutions passed under the presidentship of M. R. Ry. Diwan Bahadur G. Narayanaswami Chetti Garu, C. I. E., on the 7th October 1934; and

(*i*) with reference to the abstract G. O. Ms. No. 949 dated 4th July 1935, communicated to the Secretary, Depressed Classes Co-operators' Federation, Madras, whether the Government will be pleased to state what the reasons of the Registrar of Co-operative Societies were to refuse 'registering' the above said Federation?

A.—(*a*) Yes.

(*b*) The Government have no reason to think that the propaganda is inadequate.

(*c*) The Madras District Co-operative Central Bank has appointed, from July 1934, R. Rajagopal (a member of a depressed class) as a propagandist. He was a member of the Thousand Lights Co-operative Society and was heavily indebted to it. He was also its Secretary. The affairs of the Society were mismanaged by him. Its registration was cancelled. There was no case of misappropriation of funds against Rajagopal.

(*d*) No.

(*e*) Yes. The Societies inspected were:—

(1) Gajendra Varada Co-operative Society.
(2) Mackey's Garden Co-operative Society.
(3) Narasingapuram Co-operative Society.
(4) Wellington Co-operative Society.
(5) Prince of Wales Co-operative Society.
(6) Kalyanamaistry Garden Co-operative Society.
(7) Slaterpuram Queen Victoria Co-operative Society.

(*f*) In two of the societies inspected by the Registrar, requests were made for the registration of the Depressed Classes Co-operators' Federation. As the Registrar had already carefully gone into the proposal, and had informed the Honorary Secretary that there was no need for the Federation, no action was taken by him on these representations.

(*g*) On the 23rd July 1934. There is nothing on record to show what enquiries were actually made then.

(*h*) In his letter forwarding the resolutions referred to, the General Secretary, Depressed Classes Co-operators' Federation, drew the attention of Government to the following three questions:—

(1) that the appointment of special inspectors for the supervision of depressed classes' societies has not benefited either the societies or the banks which finance them,

(2) that the City Co-operative Bank draws to itself members of the depressed classes leaving the depressed classes' societies with no proper men to manage them, and

(3) that a rule should be framed prohibiting a paid employee of a society from serving on the board of management of that society or that a financing bank.

With regard to the first point, special inspectors have now been working under the direct control of the Deputy Registrar of Co-operative Societies, Madras, who watches their work and reviews it. As regards the second point, the City Bank caters to the needs of the rather more well-to-do among the depressed classes who require bigger loans, and the bank cannot deny such help to those who need it. As for the third point, the question of framing a rule as suggested is under consideration.

(*i*) As there exists already a duly constituted body, *viz.*, the Madras District Central Bank, for the purpose of carrying on propaganda work in the city and as that bank has expressed itself in favour of enlisting the services of honorary propagandists from among the promoters of the Federation, the Registrar of Co-operative Societies considered that there was no need for the registration of another society. Further, it was considered that the Federation, if registered, would not have sufficient funds to carrry on.

Rao Sahib V. I. Muniswami Pillai :—" With reference to the answer to clause (*b*), may I know how many co-operative societies have been established as a result of the propaganda carried on by the Madras District Central Bank ?"

The Hon. Mr. P. T. Rajan :—" The answer says that the Government have no reason to think that the propaganda is inadequate. I do not understand how this question arises."

Effect of the concessions under penal interest granted by the Registrar of Co-operative Societies on overdues during 1934-35.

* 259. Q.—Mr. M. B. Rangaswami Reddi.—Will the Hon. the Minister for Public Works be pleased to state—

(*a*) what the results are of the Registrar's circular to co-operative societies, during the co-operative year 1934-35 allowing certain concessions in the payment of penal interest on overdues ; and

(*b*) whether the Government have considered the question of further extending the concession and with what result ?

A.—(*a*) The results are not yet known ; they will be known only after statistics have been compiled for the departmental administration report.

(b) The following concessions have been granted for the current co-operative year :—

(1) Reduction in the lending rates by central banks and societies on new loans to be issued by them ;

(2) no levy of penal interest on overdue loans by central banks and societies ;

(3) collection of interest for 1935-36 at reduced rates, *viz.*, at 6 or 6½ per cent by central banks and 7½ per cent by societies on all outstanding loans ; and

(4) collection of interest by societies from members at the reduced rate of interest, *i. e.*, 7½ per cent on all outstanding loans.

Mr. K. A. Nachiyappa Gounder :—" May I ask, Sir, what effective steps have been taken to see that central banks and societies adopt the rates recommended ?"

The Hon. Mr. P. T. Rajan.—" The reports submitted every year to the Registrar will show whether they have been adopted or not."

Mr. M. A. Manikkavelu Nayakar.—" May I ask whether the concession will be extended beyond the current co-operative year ?"

The Hon. Mr. P. T. Rajan.—" For the present, I believe the concessions have been granted for the current year only. If it is necessary to extend them beyond the present year, it will be done."

31st October 1935.

Discontinuance of the annual departmental conference of Deputy Registrars of Co-operative Societies.

* 357 Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(*a*) whether any annual departmental conferences of Deputy Registrars of Co-operative Societies are being held now ; and

(*b*) if not, why this system has been stopped ?

A.—(*a*) No.

(*b*) The system was stopped as a measure of retrenchment in accordance with the recommendations of the Retrenchment Committee.

Mr. A. B. Shetty.—" May I know whether these annual departmental conferences were found to serve any useful purpose in the past ? "

The Hon. Mr. P. T. Rajan.—" I think so. "

Mr. A. B. Shetty.—" If so, may I ask the Government to be pleased to consider the question of reviving these annual conferences ? "

The Hon. Mr. P. T. Rajan.—"It is purely a question of finance; if finances permit, we shall consider the question of having these annual conferences."

Alleged obstruction on the part of unions to the rectification of co-operative societies.

*358 Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(*a*) whether any cases of unions obstructing the rectification of co-operative societies have come to the notice of the Government; and

(*b*) whether the Government have under consideration any scheme for improving the working of unions or any proposal to liquidate bad unions?

A.—(*a*) The answer is in the negative.

(*b*) The policy of the department has been to liquidate financially weak and bad unions. In March last, the Government accepted the suggestions of the Registrar that supervision of societies should be undertaken by central banks assisted by local co-operative unions and that officers of the department should keep themselves in personal touch with the unions and stimulate them to exercise vigorous supervision. There is at present no general scheme regarding unions under the consideration of the Government.

Mr. A. B. Shetty.—"May I know whether action has been taken on the suggestion made by the Registrar?"

The Hon. Mr. P. T. Rajan.—"I think so."

Mr. A. B. Shetty:—"May I ask whether the officers of the department have succeeded in stimulating the unions to exercise vigorous supervision?"

The Hon. Mr. P. T. Rajan:—"The experiment was started only this year, and as far as I know, there is a fair amount of progress."

Proposals for the substitution of a new agency for the existing Unions to ensure better control and supervision of co-operative societies.

*359. Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state whether instead of unions the Government are considering proposals to have any other agency for the better control and supervision of co-operative societies?

A.—No.

Mr. A. B. Shetty.—" May I know whether the Government are satisfied with the control and supervision now exercised by the unions ?"

The Hon. Mr. P. T. Rajan.—"I am afraid I cannot answer this question which is too general in character."

Mr. A. B. Shetty.—" May I request the Hon. Minister to find out?"

The Hon. Mr. P. T. Rajan.—"It is too general a matter to be looked into."

Payment of subsidies to Loan and Sale Societies on account of their working expenses.

*360. Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(a) whether the Government are giving subsidies to any Loan and Sale Societies for their working expenses as they have done in the case of the Central Land Mortgage Bank;

(b) whether any loans are being given for building warehouses for these societies as recommended by the Provincial Banking Enquiry Committee ; or

(c) whether help in any other way is being given ?

A.—(a) No. The Registrar of Co-operative Societies has sent proposals for making subsidies to enable these societies to rent godowns and to meet the cost of marketing agents, propagandists and clerical establishment employed by such societies. These are under the consideration of the Government.

(b) The Government had already been granting long-term loans to these societies to build godowns up to 50 per cent of the cost of construction of godowns. Up to the end of 1929-30 a sum of Rs. 14,750 was lent to societies for the construction of godowns at Orattanad North and South in Tanjore, Ambur in North Arcot, Nandyal in Kurnool, Madurantakam in Chingleput, Maripudi in Guntur and Nangavaram in the Trichnopoly district. No loans were granted in subsequent years. It is understood that there has been no appreciable demand for such loans from societies for the reasons that these societies were not able to secure sufficient business to keep their godowns fairly full throughout the year and to enable them to repay out of their income, the loans raised for the construction of godowns.

(c) The Government have employed 24 senior inspectors of co-operative societies for the supervision of non-credit societies in the Presidency which include loan and sale

societies. They have also employed eight junior inspectors for the intensive supervision of select loan and sale societies in some districts in their initial stages.

Proposals for the inauguration of Women's Thrift Societies.

*361. Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(*a*) whether the Registrar of Co-operative Societies had suggested last year the starting of Women's Thrift Societies as in the Punjab and the appointment of honorary women organizers for this purpose; and

(*b*) whether the Government have taken any action in the matter?

A.—(*a*) In October 1933 the Registrar proposed the appointment of a lady organizer for starting special types of societies for women in the Madras City.

(*b*) In the existing state of the movement, the Government did not think it desirable to start new activities.

Mr. A. B. Shetty.—"May I know whether the Government propose to start any new activities in view of the present state of the co-operative movement?"

The Hon. Mr. P. T. Rajan.—"No, Sir."

The Erode Co-operative House Mortgage Bank, Limited.

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Particulars from the Secretary,

E. S. GANAPATI AIYAR, B.A., B.L.,

President.

An Important High Court Judgment.

IN THE HIGH COURT OF JUDICATURE AT MADRAS.

PRESENT: MR. JUSTICE KING.

T. S. Narayana Aiyar and others ... *Petitioners**

The Co-operative Urban Bank, Ltd., Tinnevelly Junction, through its Secretary and another ... ... *Respondents.*

Madras Co-operative Societies Act (VI of 1932), S. 51, clauses (b) and (c)—Ex-Directors proceeded against by a Bank for loss sustained by their negligence in sanctioning a loan—Registrar whether had jurisdiction to entertain the reference—Writ of prohibition—Whether circumstances favouring it.

A dispute arose between a certain Co-operative Urban Bank, Ltd., and six persons who were members of the Bank and had been its directors, regarding the loss sustained by the Bank owing to the negligence of these persons in sanctioning a loan. Of the six, five had ceased to be directors though they continued to be members. On a reference to the Registrar of Co-operative Societies under S. 51 of the Madras Co-operative Societies Act (VI of 1932) the dispute was referred by him to the Deputy Registrar. On an objection by the five ex-directors to the jurisdiction of the Deputy Registrar on the ground it did not fall S. 51 of the Act, it was overruled by him, and hence an application was filed in the High Court for a writ of prohibition against the Deputy Registrar of Co-operative Societies.

Held, that neither cl. (b) of S. 51 which relates to disputes of members only and not of those who were officers nor cl. (c) to S. 51 which deals with officers of the Bank or the Society, would apply to persons who were not mere members or who had been once directors but not at the time of the reference. Hence the Registrar had no jurisdiction to decide the dispute under S. 51 and a writ of prohibition should issue.

The Municipal Permanent Investment Building Society v. *Richards* (1888) 39 Ch. D. 372 relied on.

Petition praying that in the circumstances stated in the affidavit filed therewith the High Court will be pleased to issue a writ of prohibition prohibiting the respondents herein from proceeding with A. R. C. No. 848 of 1934-1935 before the Deputy Registrar of Co-operative Societies, Tinnevelly (second Respondent herein).

* C. M. P. No. 1747 of 1935.

S. Ramaswami Aiyar and *V. K. Srinivasa Aiyangar* for petitioners.

B. Sitarama Rao and *K. Venkateswaran* for the first respondent.

The Court made the following.

Order.—This is a petition requesting issue of a writ of prohibition to the Deputy Registrar of Co-operative Societies, Tinnevelly, in the following circumstances. A dispute arose between the Tinnevelly Co-operative Urban Bank, Ltd., and six persons who are members of the bank and were all its directors, regarding the loss sustained by the bank owing to the negligence of these persons in sanctioning a certain loan. It may be mentioned that of these six persons five are no longer directors of the bank though they still continue to be members and the sixth remains a director. The dispute was referred to the Registrar of Co-operative Societies under S. 51 of the Madras Co-operative Societies Act VI of 1932, for decision by him and it was referred by him to the Deputy Registrar.

The present petitioners who are the five ex-directors referred to, objected to the jurisdiction of the Deputy Registrar on the ground that the dispute did not fall within the terms of S. 51 of the Act. The Deputy Registrar passed orders on this preliminary objection to the effect that he had jurisdiction and the petitioners now wish this Court to issue a writ of prohibition against any further procedings in the arbitration.

It is of course conceded that the dispute in question is one touching the business of the bank. The question then has to be decided whether it comes within cl. (*b*) cl. (*c*) of S. 51. Clause (*b*) refers to a dispute between a member, past member or person claiming through a member, past member or deceased member and the society. No doubt the present petitioners are members of the society but it is quite clear that the dispute in question concerns none of their actions or claims as members but only their actions as directors. On the authority of an English case *The Municipal Permanent Investment Building Society* v. *Richards* *, it is quite clear that cl. (*b*) cannot be applied to the present case. Clause (*c*) relates to disputes between the society or its committee and any officer, agent or servant of the society. Clearly this clause would apply to the existing directors and the question to be decided is whether it would apply to persons who were once directors and whose action as such directors is the subject matter of dispute but who at the time of the reference to the Registrar are no longer directors.

Prima facie I would have been inclined to hold that cl. (*c*) would apply were it not for the fact that in Ss. 51 and 49 specific reference is made to past officers. In S. 49 (1) for instance it is said, that:

* (1888) 39 Ch. D. 372.

"Where in the course of an audit.................it appears that any person who has taken part in the organisation or management of the society or any past or present officer of the society has misappropriated...............".

The Registrar may take certain steps. In S. 51 (*b*) which immediately precedes the clause which we are now discussing, reference is specifically made to disputes between "a member, past member or person claiming through a member, past member or deceased member and the society, its committee or any officer, agent or servant of the society". When we find these two instances of particular reference being made in the Act itself to past officers and past members it seems to me that if this cl. (*c*) was intended to apply to dispute of this kind between the society and its past officers specific mention would have been made of the past officers in this clause also. In the absence of such specific reference that clause cannot, I think, apply to the present dispute. The result is that the Registrar has no jurisdiction under S. 51 to decide this dispute and a writ of prohibition must issue. The petitioners' costs which I fix at Rs. 100 will be paid by the bank which is represented by the first respondent.

Writ issued.

REFLECTIONS ON THE JUDGMENT.

I

The decision of Justice King in C. M. P. No. 1747/35 reported in the 'Hindu' and 69 Madras Law Journal short notes page 41 does not set at rest several difficult situations that are likely to crop up in the movement now and hereafter. I am not sure whether the Deputy Registrar, Tinnevelley, only implemented the views of the Department in the matter of interpretation of Section 51 (1) (*b*) (*c*); for what I fear and know such orders are being passed in several districts and they are being executed without demur. As an officer said recently when spoken to on the matter, "those are cases in which small amounts have been involved and probably people did not consider it worth their while to test the legality of the procedure and patiently submitted to them." I would earnestly appeal to the Department to set right the wrongs done hitherto, however small the amounts may be and issue a general circular to all the officers concerned. It might mean more work and dislocation but respect for legal procedure would demand the same.

Apart from this, the trouble is not yet over, at least it is not certain that it is over. Justice King says as per wording of the Act 'that the Deputy Registrar had no jurisdiction to entertain a reference against *past Officers* of the society." In the matter in question, the defendants were only *ex* office bearers. The problem that would arise is suppose they are also office bearers *now*.

Can a reference lie for the actions done by them in 1928 ?

(*i*) Or to put it more concretely—Suppose A was a director in 1928. He ceases to be a director from 1928-1934. He becomes a director again in 1935. Can a reference lie against A (as he is an officer) for actions done by him in 1928?

(*ii*) To put the case in the C. M. P. more exaggeratedly ? If the petitioners in C. M. P. become *directors in 1936*, and if they are proceeded against again, are they prohibited from contending that they are immune from attacks for actions done in 1928 (leaving aside the possible legal bar of the High Court's order).

(*iii*) A present director who has been continuously in office from 1920-35, can he be made liable for acts done in 1921 ?

Office bearers come and go and departmental officers too follow suit. There should be a definite pronouncement on the matter, whether a present office bearer can be proceeded against for acts done as a past officer under section 51 ? I am sure that section 51 has no application to cases of insufficient security or of similar cases of error of judgment.

Again it is stated that surcharge provision contains a provision making a definite inclusion of "past officers." But the possibility of proceeding under that section is restricted to cases of misappropriation with such evidence as may sustain a criminal prosecution. That is not surely available in many cases. But that is no excuse for requisitioning section 51 to help.

Again the procedure of surcharge has not been controlled by any provision under Limitation Act. The big question whether the Limitation Act or in fact the Insolvency Act or other Act—applies has not yet been decided by any competent tribunal. The Legislature has not met the point and the Department is simply gliding on with advices vague and indefinite.

There is again another question. Under the Municipalities Act, a decision has come by which it has been settled once when the auditor has certified regarding the correctness of the account, it cannot be re-opened later. If that were so will a similar interpretation apply ? If it does apply how can a 'past officer' be held liable under surcharge provision for past actions ? What is the merit and effect of an audit certificate, under the Co-operative Societies Act ? If the department wants to have a thorough scrutiny of all loans and make persons liable for indiscret acts, should not the audit certificate be made more extensive, so that the non official workers can work and leave their year of office with equanimity and without the possibility of being called upon to answer charges later on when their rememberance about their connection itself with the society will be vague. It is quite likely that one can proceeded against in 1945 for acts done in 1930.

Again there are other defects in the rules. Adding puisne mortgagee-non members or not, building nature of their liability if added, permission to sue a liquidator only with the permission of the Department which is rarely granted, whether the District Registrar has powers to transfer an award-decree to another District Registrar for execution or whether it should be done through a court, whether execution can be

taken in a civil court or a District Registrar's office within jurisdiction of which the defendant resides without transfer from the District Registrar who passed the decree or the court which has jurisdiction over the subject matter of the award, claim proceedings, and whether persons can go direct to civil courts without preferring claims, bonds obtained in co-operative execution and whether they can be assigned and whether they can be availed of in execution etc.

All these require an expert committee to sit and draft rules which have to be all embracing. I do not agree with some of the older co-operators who feel shy of legal procedure and say these ought to get themselves settled and undue importance to legal details need not be imported into the co-operative legal machinery. Every body knows that the movement is for the poor and the mediocre. If a legal machinery is installed, it should be done properly and it should not be done half-heartedly. Members of co-operative Societies should not be compelled to seek interpretation of co-operative statutes in civil courts for more than one reason. They are poor and litigation spells disaster to the movement. Office-bearers and members will be terror stricken and one is not likely to know where he stands now and where he will be 10 years hence. The movement which is facing troubles in other directions need not be called upon to meet this also from their members and directors.

A view is suggested that the Sub-Deputy and Deputy Registrars should be persons with legal training. Though it is desirable, I am not for abolishing men who have done good service in the department even though they are not law graduates. Not that lawyers are mistake-proof! All the same I would desire that a condition may be insisted hereafter that in the case of non graduates in law, they ought to pass a special test composed of Civil and Criminal Judicial tests and Hindu, Christian, and Mohammadan law of inheritance.

E. S. SUNDA.

II

The recent decision of Mr. Justice King of the Madras High Court reported in *T. S. Narayana Aiyar and others* v. *The Co-operative Urban Bank, Ltd., Tinnevelly* (69 M. L. J. 726) brings to light one more omission in the Madras Act VI of 1932.

It is held that a dispute touching the business of the Bank between a past officer and the Bank, though the past officer may continue a member of the Bank does not come within S. 51, cl.(*c*) of Act VI of 1932, and the Registrar has no jurisdiction to try such disputes.

This appears to be anamalous, and King Justice, himself realises it when he says, "*Prima facie* I would have been inclined to hold that cl.(*c*) would apply were it not for the fact that in Ss. 51 and 49 specific reference is made to past officers."

Even present officers can effectively oust the jurisdiction of the Registrar by resigning their office, when such disputes arise. And when the dispute touches a number of past officers of whom only some continue in office at the time of the reference, the jurisdiction will have to be shared in such cases between the Registrar and the Civil Court, and a conflict of decisions may arise.

A legislative amendment to S. 51 (*c*) adding the words "past or present" after the words officer, agent, or servant of the society, would appear to be the only way of removing this anamoly.

G. SWAMINATHAN.

Recent Utterances.

Rao Bahadur C. Gopala Menon, who is a member of the Executive Committee of the Madras Central Land Mortgage Bank, recently delivered a lecture on land mortgage banks at the Ernakulam College under the auspices of its Historical and Economic Association. The following are extracts from the lecture:—

There is an awakening with regard to the agrarian problem all the world over and public men are now realising how important it is to raise the position of the ryot from the poor condition in which he is situated to-day. It was with this end in view that Co-operative Societies with Government help have been started and they have achieved remarkable success in the last 25 years. Short term credits have been given by these societies for a considerable period of time now, but the problem of meeting long term credits for debt redemption or for acquiring land for carrying on agricultural operations, though it occupied the attention of Co-operators from as early a period as the nineties of the past century it was left to the Townsend Committee to tackle the problem thoroughly and expound the basis on which the Land Mortgage Banks might work to redeem the indebtedness of the ryots. The main recommendations of the Townsend Committee are (1) that the bank be constituted with the primary land mortgage banks and individuals as shareholders, limited liability, dividend not to exceed 7½ per cent., borrowing power of the bank not to exceed 25 times the paid up capital, a Trustee to look after the interests of the debenture-holders, working capital to be raised by issue of debentures only which should have a charge on all the assets of the bank, interest to be guaranteed by Government on debentures issued by the bank in the first 5 years, debentures to be made trustee securities, maximum period of debentures and loans to be restricted to the same period, loans to be granted only to land mortgage banks, lending rate not to exceed 7 per cent., provision to be made for repayment of principal by collections for the creation of the sinking fund or by the bank purchasing its debentures or by periodical redemption of debentures, debenture-holders to be represented on the Board of Management.

On the lines of Townsend Committee's recommendation a Central Land Mortgage Bank was formed in Madras in 1929. Government helped the bank with a subsidy of Rs. 25,000 for its working expenses and a staff of two Deputy Registrars and ten Sub-Deputy Registrars to assist the primary banks in all their enquires. Government also guaranteed the interest on the debentures issued by the Central Land Mortgage Bank up to a maximum of Rs. 50 lakhs to be floated within 5 years. The

Government to protect their interests appointed the Registrar of Co-operative Societies and a nominee of the Registrar approved by Government on the Board of Directors. The first Directorate of the Bank consisted of leading Co-operators, commercial and other leading men of the Province—all this contributed to the successful working of the Bank.

When the Central Bank was started there were only 21 Primary Land Mortgage Banks, but to-day there are 71 working. On 30th June 1935 there were 191 individuals who have taken shares to the value of Rs. 79,900 and 71 Primary Societies (paid up capital of Rs. 4,84,943-12-0) who hold shares in the Central Land Mortgage Bank for Rs. 1,58,500. The great success of the Central Land Mortgage Bank is that their debentures found a ready market except at periods when the money market was very tight. So far the Central Bank floated debentures to the extent of 75 lakhs; after redemption of debentures there stands on 30th June 1935 debentures to the sum of Rs. 50,92,000. The loans granted to Primary Land Mortgage Banks amount to Rs. 51,04,426, as against Rs. 33,82,150 on 30th June 1934. The loans repaid by primary banks during the year is Rs. 2,77,870. One note-worthy feature in the working of these institutions is that so far Central Bank was fortunate in having no arrears in the principal collections from the primary banks, with the result that the interest to the debenture holders was paid without difficulty. With the amendment of the Indian Trusts Act in the Central Legislature debentures of the Central Land Mortgage Bank were included in the list of Trustee Securities. This gave the debentures easy negotiability in the money market and the debentures are being sold at a premium to-day. In the year 1934-35 Central Bank's issue of debentures stood at Rs. 28,72,800 whereas in the year 1930-31 the first year of the bank's operation it was only Rs. 3,51,900.

The purpose for which loans are granted are (1) for redemption of agricultural land or liquidation of prior debts (2) for the improvement of land and (3) for the purchase of land in special cases. The principle adopted in the grant of loans on the mortgage of land is that the net income from mortgage lands is at least equal to the equated instalment to be collected on the loan advanced. Say for a loan of Rs. 1,000 the property mortgaged should at least yield Rs. 91 per annum, *i.e.*, total income must be Rs. 200 or over.

The procedure to be adopted in the preparation of the loan applications and their transmission to the Central Land Mortgage Bank may be briefly referred to. As soon as an application for loan is received it is of the utmost importance that the bank should obtain from the party all papers which help to establish the title of the applicant. Then the application is referred to the Supervisor of the bank and two Directors for investigation and report. Encumbrance certificates for the 23 years

prior to the date of application are obtained from the Sub-Registrar's Office. The Directors' and Supervisor's report, the encumbrance certificate and the other title deeds are forwarded to the legal advisor who will note his opinion in each case. The whole record will then be handed over to the Sub-Deputy Registrar who will scrutinize the papers and prepare a report of the results of his scrutiny. The chief points that have to be dealt with in the course of scrutiny are the extent and situation of the lands, the applicants other property and income therefrom, his family expenses now and in the future, his repaying capacity and the binding nature of the debts. The whole file is then sent up to the Central Land Mortgage Bank with his recommendation. An office note summarising the information in the records is then prepared and placed before the Executive Committee for final disposal. The conditions under which the loans are sanctioned are communicated to the primary bank which has to see that all those conditions are duly fulfilled. Usually all those interested in the property are required to join in the execution of the mortgage bond. It is generally the rule that not more than Rs. 5,000 should be advanced to any individual borrower. If the borrower happens to have more debt he will be asked to completely discharge the extra debt from his own resources and file a voucher for the complete discharge of the debt; the idea being that the borrower should not be indebted to anyother body except the Land Mortgage Bank, *i.e.*, to ensure repaying capacity to the Central Land Mortgage Bank. It is left to the Central Land Mortgage Bank to reject a case which in its opinion is deemed unfit. If a case is sanctioned the sanction order is sent to the primary land mortgage bank which has to get the necessary documents executed by the borrower and return them to the Central Bank together with its assignment deed. If there is any error in the execution of assignment and mortgage deeds then a rectification deed will be called for from the primary bank. It is only when this is obtained that item will be disbursed.

A great benefit which the agriculturists in the province of Madras have acquired is the reduction of the rate of interest on mortgage loans, the present lending rate through mortgage banks being 6 per cent.

The one difficulty which has been put forward for popularising land mortgage banks in Malabar has been the Land Tenures of the country. But the tenancy laws have been so amended the different interests in land get a security of tenure and to that extent any loans advanced to these different parties are secured. A Jemmi can be given loan from the Land Mortgage Bank as a general rule, but there are cases where even loan on Jemmi right is not safe—because the Kanomdar and tenant sometimes produce improvements on the land which render the value of jemmi right on the land almost negligible—take for instance dry

land and plantations, such as cocoanut, arecanut. There are cases where helping jemmi with Land Mortgage Bank funds creates economic trouble. Suppose a jemmi converts kanom lands into verumpattom lands by paying off kanom with the help of Land Mortgage Bank funds. This becomes an injustice in some cases especially when the Kanomdar has been in possession of the land for a very long time: especially when he is not hostile and defiant to the jemmis' interests.

When the land is held by the Jemmi and when he cultivates the land himself and is leased out to verumpattom tenants there will be no difficulty in advancing money to jemmi on that land.

The question then arises can money be lent out to Konamdar and if so under what circumstances. When a Kanomdar is cultivating his own land as in old kanoms and when he has his homestead in the land it is necessary to help him to get out of his debts if any with loans from the Land Mortgage Banks. If this loan is not allowed a large and deserving class of occupiers of land will go without the help of the bank. Kanomdars, however, who have only money interest in the land, such as absentee Kanomdar, and whose margin or profit in the land has been affected by the creation of occupancy right to the tenant under the new Act and who had leased his land to cultivating tenants with a right to create improvements on the land—are not the class of people to whom money can be safely lent.

The next question is as to what class of verumpattom tenants to whom money can be safely lent—ordinarily the advance will not be safe—but there are cases in which it is safe and absolutely necessary to help him out of his trouble by lending money from a bank like the Land Mortgage Bank. There are a large number of hard working tenants who lease out land from kanomdar or jemmi for three purposes (1) for building a homestead (2) for cultivating paddy (3) for planting arecanut and cocoanut. Very often these operations are carried out simultaneously and the Malabar Improvements Act affords him great facility for acquiring property in this manner. The resources of these tenants especially those who plant cocoanuts become soon exhausted and they quickly run into debt owing to their difficulty in meeting the expenses required and their inability to wait until the tree begins to bear fruit and enable them to pay off the debt. There are many cases in which these deserving class of hard working tenants are forced to part with their property either to the money-lender or to the Kanomdar or jemmi. Some timely accommodation will be of great help to those people and the repayments of the loan in these cases are expected to be more punctual than those who depend upon their tenants for their income.

Great care, however, should be exercised in lending money on the security of cocoanut and arecanut plantations which require careful attention in looking after, which, without proper attention deteriorate and the bank will meet with great difficulty in realising money in the sale of these properties.

The following are extracts from the presidential address of Diwan Bahadur S. Aravamuda Aiyangar at the Holkar State Co-operative Conference held at Indore on the 25th November, 1935.

One need not be cowed down by criticisms. The biggest frauds have taken place in some of the leading joint stock banks and auditors with bewildering degrees have even been quietly issuing their auditors' certificates! Some Joint stock banks start to-day, only to be liquidated the next day, unceremoniously even before the flowers decorating the opening ceremony of the banks fade or lose their colour! But a Co-operative Bank's failure, even if it be in a thousand, a misappropriation by a wily Secretary is at once made the subject of talk in the bar-room, gossip in the bazaar and vituperation in places other than co-operative circles. Is it fair?

Human Institutions have their faults and every man does not turn into an ideal co-operator by mere membership. Failures alone should not be counted. Why not the success of the movement be also estimated? Has anybody seen the figure of the Common Good Fund of all the Indian Co-operative Institutions? Has anybody measured the social service which co-operative money has done? Will anybody enquire of the large sums paid by co-operative banks towards the Bihar Earthquake Relief?

I do not hold a brief for those that have behaved in an un-co-operative manner. They are traitors to the cause. Let them have a long rope to hang themselves with and once we are convinced of their guilt, let us not even scruple to put the knot tight round their neck. They shall have no quarter here or anywhere. But let not the instances of these guilty persons be the cause for disturbing our faith and conviction in a great cause, our devotion to a great movement and our still greater anxiety to render service to those, less fortunate than ourselves.

The Local Bodies can float debentures, take up extensive road connections from village to village in their area. Let this era be a Road-era for the Local Bodies. Road connections mean greater facility to the villager; easier modes of transport are afforded and to a great extent the difficulties in the way of removing the produce to a central co-operative godown of a sale society or even an ordinary store are avoided. This road-era will give the peasants *immediate* scope for employment in the road making close to their villages and the workless days will become

income-earning days for sometime to come. This is again the time for taking up the repairs of our irrigation sources and channels. Labourers are there, wages may be moderate, monies are forthcoming, provided they can be used in safe investments. It is wrong to imagine that these days of economic depression imply want of resources. There is not an even-distribution. Monies are locked up in the hands of the rich and the middle class are prepared to lend them only on thoroughly safe lines. Any Government can float a loan and big irrigation repair projects can be taken up and the lives of many a starving peasant can be saved. Even in these enterprises, care should be taken that the respective co-operative officers of the locality immediately start one Irrigation Workers Society and the work is done through it. Else all the projects will have been in vain as it will be to the advantage of only a few. These and other suggestions can be immediately worked out. But all of them should be subjected to three conditions precedent:—

(*a*) It should not involve migration of the villager to the city as it would only add to his expenditure.

(*b*) It should imply the migration of money from the town to the village on beneficial enterprises.

(*c*) The distribution of the money on the said enterprises should be through the medium of a co-operative society and not on an individual basis.

These may not mean time for launching. They ought to be taken up on hand at once. These only lead to national wealth while they have the effect of removing present biting poverty of a great many. We need not wait for programmes or theorists to evolve a permanent cure!

"Heavy overdues" is the cry everywhere. Steps should be taken to collect them but there should not be any unnecessary haste or undue delay. The statute should be suitably amended if necessary—as done in Madras —to suspend the management of an effete committee and hand it over to an influential person who may take steps to work and revive the society. Facilities for arbitration-references, execution of arbitration decrees through the department (Act should be amended if not done already) to avoid delay, giving necessary additional staff for execution are all the urgent things that have to be done.

The big problem of taking over the long term loan overdues of the primary society by any Land Mortgage Bank after testing them is a question you will have to decide, yourselves; so also the duration of the new loans any central bank can advance hereafter on short term basis.

Above all one thing has to be done. Stock-taking has to be made. The time has come when the central banks will have to know for themselves

at least now where their assets stand. For this, an intensive and speedy examination of individual loans will have to be gone through side by side with attempts at gradual realisation. This examination will show our real position and may embolden us to adopt a policy of good remission of overdue interest if the principal is forthcoming. Or some other concession policy can be launched. The Bank's money is the ryot's money. If we treat them properly and remove their debt-load *now*, we are only standing to gain by their transactions with us again. The immediate needs of the hour are the speedy examination of the loans and offering concession. The Banks, if they have not done them, ought to take them up at once. That is a service for which the customers are bound to be ever grateful and as *co-operative* bankers, the greatest measure of help will have to be done by us.

Common Good Fund :—Propaganda. Training Institutes.

This fund is considered by a great many as composed of charity doles! The money of the fund ought to be properly safeguarded and utilised. A great percentage of this fund can be immediately earmarked by all the co-operative institutions—can be even done by an order of the Registrar—and the same be handed over to the Chief Propaganda Body of the State to be utilised for the purpose of training Panchayatdars and Supervisors and Inspectors. If funds permit, a Co-operative College to offer instruction for Secretaries, Managers and others of Urban institutions can be also thought of. In any case, an adult school in a village coupled with panchayat training is absolutely essential for the success of co-operation and in fact for our national revival. There are enough funds with us. We can make a beginning and the Government will surely entrust us with more funds for the purpose, when once we show we have spent *our* money well.

Elections and Co-operative money.

Before I conclude, I may be permitted to utter a warning. Office bearers of co-operative societies have been found in several places to have used co-operative money obtained by means of benami or direct loans for the purposes of their elections in Local Bodies or Legislatures. It is a tragedy; the result is that they find difficulty in repaying the same. In several provinces, the Registrar has drawn attention to this fact and stated that the office bearers of co-operative institutions shall not have anything to do with local bodies, not only to avoid the above said expenditure but also to avoid the importation of local bodies' party politics in co-operative matters.

The following are some extracts taken from the presidential address of Mr. V. Ramadas Pantulu at the Central India, Rajputana and Gwalior Co-operative Conference held at Indore on the 26th November, 1935.

How to resuscitate the Movement.

At a time when the Co-operative Movement is passing through an unprecedented crisis, owing to a variety of causes, moral and material, it is difficult to decide upon the most suitable approach to the problem of how to reform and rehabilitate the Movement. Co-operators have to admit that to-day the failures of the movement are more prominent in public estimation than its achievements—that the deterioration that has crept into our daily activities is attracting more attention, than the idealism and the cardinal principles of Co-operation, for which we profess to live and work. The main cause for this regrettable turn in the fortunes of the Movement, in my opinion, is moral more than material. Material causes like the continued and prolonged economic depression and bad business methods have undoubtedly contributed in a very large measure to the deterioration of the Movement. Nevertheless, the Movement has still sufficient vitality left in it to weather the economic crisis and to extricate its business from the muddle which it has got into if it can command the necessary *morale*. It is my sad experience that schemes for arresting further deterioration of the movement and improving the working of our institutions are, in some places, held up, if not thwarted, by the utter absence of the spirit of co-operation and disciplined action. It is a humiliating spectacle to find in these days of our travail and trial, that the services of the "friend, philosopher and guide" of the movement, the Registrar—are in requisition more to decide quarrels among co-operators, to chastise committees engaged in internecine warfare, to appoint dictators who replace boards which have ceased to function, and to detect frauds, than to help co-operators to expand, strengthen and popularise the movement. It is claimed by us that 'Union,' 'Justice' and 'Peace' are the three spiritual and moral basements upon which are lying the foundations of the co-operative movement. If Union gives place to Dissension, Justice to Wrong and Peace to Strife, does it not mean that there is an end of Co-operation? And yet, that is what is happening in many of our institutions. To add to our troubles, political and communal differences which have absolutely no place whatever in Co-operation have also found their way into the Movement. All this must cease. If we are to arrest the further deterioration of the Movement and make any progress at all, we want men and women who live and work in an atmosphere of co-operative idealism, promoting loyalty to the Movement and discipline among its ranks. We must realise that our co-operative institutions are not mere soulless repositories of money and merchandise, or rendezvous of book-keepers, clerks, accountants and

auditors. They are living institutions depending on our devoted and selfless services which demand the exercise of the highest qualities of head and heart, than those engaged in the services are capable of. The salvation of the Movement and its future, therefore, depend upon co-operators, official and non-official, high and low, paid and unpaid, bringing to bear on their daily task co-operative ideology in a true spirit of service and sacrifice. The first and foremost solution, therefore, for the resuscitation of the Movement is the rehabilitation of co-operative ideals and the development of co-operative conscience.

Rural Indebtedness.

The problem of providing rural credit promptly and adequately for the pursuit of agricultural occupation is, to my mind, wholly different from that of liquidation, redemption, reduction, conciliation or adjustment of standing prior debt of the agriculturists. The mixing up of rural "credit" and rural "indebtedness" has led to so much avoidable confusion of thought both in envisaging the problem of rural indebtedness and in searching for remedial measures. I have already said that rural societies can deal only with *rural credit* and not directly with *rural indebtedness*. It is true that by developing a sound system of productive rural credit, the rural societies can control the growth of unproductive rural indebtedness, bring down the excessive rates of interest charged on rural finance and eventually reform, if not displace, the present system of money lending. But the effect of these services on rural indebtedness is indirect and not direct. In order to deal directly with indebtedness we want either state-aid or land mortgage banks or both. There can be no doubt that land mortgage banks will prove a blessing to a certain class of agriculturists possessing the prescribed standards of repaying capacity, for they will be enabled to improve the margin of their savings by the replacement of prior usurious debts by loans borrowed from land mortgage banks which carry substantially lower rates of interest. But, I feel that the hopes raised in the agriculturists' mind regarding the efficacy of land mortgage banks to deal effectively with rural indebtedness, or some what extravagant. The operations of these banks cannot, even in Madras where they are working fairly well, in my opinion, be expected to touch even the fringe of the problem of rural indebtedness viewed as a whole. A careful study of some surveys made in typical areas in my part of the country, in order to ascertain the total volume of chronic debt and the proportion of it which can be handled by land mortgage banks working in the areas surveyed, has revealed to me that the latter was an insignificant fraction of the former. When harnessed to debt conciliation schemes, land mortgage banks may be able to handle a few more cases of indebtedness, but will not offer any general

relief to the average indebted agriculturist, for the bulk of such agriculturists are unable to furnish the security or satisfy the standards of repaying capacity prescribed by the land mortgage banks.

The root cause of rural indebtedness is chronic poverty; in other words, rural indebtedness is the result and not the cause of poverty of the rural masses. In my humble opinion, therefore, the real solution to rural indebtedness is effective State action to improve the earning capacity and economic prosperity of the agriculturists. The State by revising its fiscal and economic programme, pursuing an enlightened agrarian policy, lowering the burden of taxation, affording protection to agriculture by tariffs and subsidies and adopting other suitable remedial measures, should remove the operation of the causes that contribute to the chronic poverty of the rural masses. This is the main line of attack of the problem of rural indebtedness. The second line of attack lines in the organisation of production and marketing of aricultural products by the States so as to make agriculture a paying industry resulting in an increase in the margin of savings of the agriculturists. Provision for power, encouragement of industries subsidiary to agriculture, organising the transport system with due regard to the agricultural interests and the like fall under this head of action. A third line of attack which is now much talked of but in regard to which little has been done, is bold and far reaching legislative action by the State, for the modification of the contractual and processual laws governing the determination and recovery of debts, regulation of money lending, abolition of usury by placing stringent limits on rates of interest that may be charged, the simplification of the Insolvency Law to suit rural conditions, and inauguration of schemes for compulsory conciliation and adjustment of debts. But the action attempted to be taken on these lines hitherto has been very timid; and the debt conciliation and agriculturists' relief bills so far passed by some provincial councils are very ineffective measures.

Letter regarding G. O. on Building Societies.

From

The President

The Sivajipuram Co-operative House Building Society, Ltd.,

Tanjore.

To

The Registrar of Co-operative Societies, Madras.

Through

The Deputy Registrar of Co-operative Societies, Tanjore.

Subject :—Amendment of Rule 8 of the rules for the grant of state loans to co-operative building societies—Hardships caused by G.O. 1297—requesting suitable modification by addressing the Government.

Honoured Sir,

By reason of the amendment now made by the Government to rule No. 8 of the aforesaid rules, we are afraid that a serious hardship would be caused to the house building societies who have borrowed loans from the Government, if as stated in sub-paragraphs 1 and 11 of para 2 of the amended rule No. 8, the amount of subsequent instalments due by a society, even when it has made an excess payment over and above its due instalment, is not proportionately reduced and the Government requires the payment only of such proportionate amount alone.

To take a concrete case : A society consisting of 10 members borrows from the Government Rs. 10,000 and stipulates that annually Rs. 500 shall be repaid. The sum borrowed is taken by the ten members at Rs. 1000 each and they agree to pay to the society the same in annual instalments of Rs. 50 each. The society while it is working and all the members are paying their dues every month, collects the same from them and pays it to Government. It happens that sometimes some members get a lump sum into their hands and think of paying up their entire dues to the society and thereby wipe off their loans. Let us take the case of a society where there are eight such members who after five years of taking their loans, do so pay up their dues to the society and the society pays all the money got by them from their members into the Government Treasury towards the discharge of their loan. In the sixth year, the society will be in a position to get from its members who are then indebted to the society, only a sum of Rs. 100 and if the Government were to insist on the amount of the instalment to paid to them *i.e.* the same Rs. 500, where is the society to go? Is it the intention of the Government, that the society under such circumstances should go about in the open market for raising a loan at some expense to the society, to pay up the balance of Rs. 100. That would certainly be bad co-operation, and unless there is a provision in the rules, for a proportionate reduction in the amount of the instalments, when a good portion of the societies' dues to the Government are paid up and their own dues are also wiped out by the members, it would work out the serious prejudice of the societies and the result will be default—and again default in the payment of Government dues, with the result, that the Liquidator will step in, and there will be a general condemnation that all co-operation is a failure.

So, we feel that the words in the rule "nor the amount of subsequent instalments be reduced" in sub-paras 1 and 2 of para 2 of

rule No. 8, has not been happily conceived, taking into consideration, such a difficulty as aforesaid, and it would behove the Government and all the authorities concerned to have the same reviewed and suitably amended as to give to the societies the benefit of proportionate reduction in the payment of future instalments if and when the society pays a good portion of the dues to the Government.

In our society, the difficulty, set forth above is present, and we are therefore anxious that every effort should be made for the revision of the rules as to give a proportionate reduction in the amount of the subsequent instalments, as in the case said above and in other possible cases. No doubt there will be no hardship to the individual members by the amendment to the by-laws proposed by 53-A, as it will only mean that they will have to be paying up their instalments so long as their debts are not wiped out, but in the case of the society, the amendment will be a hardship.

I beg to remain,
Honoured Sir,
Your most obedient Servant
(Sd.) R. RANGASWAMY AIYANGAR,
President.

Publications of the International Labour Office.

INTERNATIONAL DIRECTORY OF CO-OPERATIVE ORGANISATIONS

The *Directory* gives details of (1) the international co-operative organisations; (2) for each country, the confederations and federations covering the whole country; (3) in some exceptional cases, those organisations which, without being national, are the chief or only representatives of a particular form of co-operation.

It gives the title of each organisation and a translation into French, English and German, its address, the date of foundation, the chief officials, its journal, its national and international affiliations and its mem embership. It presents, in the form of tables, figures relating to the various activities of the organisations, and tables summarising the statistics concerning federations and central co-operative organisations and their affiliated societies.

The last edition was published in 1933. **A new edition will be published about the beginning of 1936.**

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Mr. P. P. PILLAI, International Labour Office, (Indian Branch), NEW DELHI.

Correspondence.

THE SALEM CITY CO-OPERATIVE STORES, LTD., AND ADMISSION OF CO-OPERATIVE SOCIETIES AS MEMBERS.

To

The Editor,

Madras Journal of Co-operation.

Sir,

The by-laws of the Stores were got amended so as to enable the admission into it as members institutions as well as individuals. By-law No. 5 regarding membership reads as follows :—

> "Any person over 18 years of age who is competent to contract residing within the limits referred to in the third sentence of By-law (1) or any institution operating within the said limits shall be eligible for admission as a member, but no person or any institution can claim admission as a matter of right."

The secretary, thereupon, issued a circular to the several co-operative institutions in this District—urban societies, rural societies, and co-operative unions—inviting them to join as members and purchase their requirements of stationery such as paper, ink, pencils, pen-holders etc., which were stocked in large quantities so as to enable the Stores to effectively serve the needs of these numerous co-operative concerns. There are more than 400 institutions in this district within the limits of the jurisdiction of the Stores.

The Deputy Registrar, however, for reasons best known to himself, advised the institutions not to join as members, and has been successfully dissuading them from co-operating with the Stores, by responding to its request. He has also been repeatedly writing to the Stores to refund the subscriptions advanced to it by a few institutions despite the mandates of the Deputy Registrar. Though we wrote him more than once that the refund is not permissible and that his view regarding the scope of the by-law is erroneous, he would, without answering our protest, simply repeat his request for refund. Obviously he has no legitimate objection to our course.

It is much to be regretted that men put in charge of a nation-building department should be so perverse in their views and stand in the way of the progress of the movement.

(Sd.) N. RAMA RAO,
Secretary.

ARREARS DUE BY THE PRIMARY LAND MORTGAGE BANKS.

To

The Editor,

Madras Journal of Co-operation.

Sir,

I have read your editorial comments on the proceedings of the Conference of the Land Mortgage Banks last month with interest. The arrears due by the members of the Primary Banks are due to the foreclosure of the loans during the past three years. Of these loans, 11 loans for Rs. 22,390 were already decreed and 19 loans for Rs. 40,967 are awaiting disposal by arbitrators. These foreclosure suits were instituted by Primary Banks on account of a by-law which left no option to the banks in the event of the member making default of single instalment of the loan for a period of three months. This by-law was very hard and compelled the primary banks to institute suits unnecessarily. Under the altered by-law some amount of discretion has been given to the banks to institute suits only in cases where the proceedings are absolutely necessary. If the primary banks are satisfied that the amount can be recovered otherwise than by the institution of a suit, it can now with the permission of the President of the Central Land Mortgage Bank institute suit only for the principal amount of the instalment. Some of the borrowers under the loans in which decrees have been obtained are since paying up their arrear instalments and re-opening their loans with the approval of the Central Land Mortgage Bank. In these circumstances, the position is not so bad as your note makes out. The Primary Banks are doing all that they can to insist on punctual payment by the borrowers.

(Sd.) M. RAMACHANDRA RAO.

[We are very glad to learn that the position of the primary banks is better than we had thought. *Ed.*]

News and Notes.

The Cochin Co-operative Land Mortgage Bank was registered recently under the Co-operative Societies Regulation of the Cochin State. Sir C. V. Anantakrishna Aiyar, Retired Judge of the Madras High Court, has agreed to be the Chairman of the Board of Directors and Rao Bahadur C. Gopala Menon of Madras as one of the Directors.

* * *

An interesting suggestion is made by a correspondent that a rule may be made, permitting the representatives of only A and B class societies to be directors of central banks and that of defaulting societies be debarred from the directorate. As things are in our presidency, we wonder how many will be able to get the required number of directors to work the banks.

* * *

The co-operators of England deserve to be congratulated on nine co-operative candidates having been successful in the last general election, against only one in the previous election. In the new Parliament there will also be Trade Unionists who sympathise with the co-operative movement and the co-operative case will, we are sure, command much stronger support than it did in the years 1931 to 1935.

* * *

The report of the Hood Co-operative Institute, Tanjore, states that the third session of the rural workers class was conducted as usual under the auspices of the Institute in June last and that 52 candidates were trained, of whom one was a lady. Most of them were village teachers. Instruction was imparted in Tamil in subjects such as Co-operation, Agricultural, Rural Sanitation, Hygiene etc. At the end of the course a written examination was held and 43 candidates came out successful. Certificates were issued to them.

* * *

Mr. J. P. Joshua, M.A., of the Madras Christian College, who is well known here for his social work, is at present in England taking special courses at Liverpool. Addressing the members of the Balloon-street Luncheon Club on "Rural India" in November last, he said that 90 per cent of the people in India were illiterate and that this illiteracy was a great stumbling block to the progress of India. A reform which was having a remarkable effect on village life was the formation of co-operative societies. Those societies were bitter enemies, he said, to ordinary money-lenders and now the struggle for many years was between societies and the money-lenders.

At the first Kurnool District Elementary School Teachers' Conference held at Nandyal, a few days ago, Mr. C. Joseph Reddi, Sub-Deputy Registrar of Co-operative Societies, Kurnool, spoke on 'Village Teachers and Co-operation.' Mr. Reddi said that in villages it was quite common to find presidents and secretaries of co-operative societies who could hardly read and write. It was there that the village teacher could help the co-operative movement. If only he could equip himself with a knowledge of the principles of co-operation, he could impart that knowledge to the village folk and thus do a real service to the movement. He appealed to the teachers present to organise informal co-operative societies for boys in their respective schools.

* * *

Dr. Spencer Hatch of Trivandrum, who was on a visit to Pudukottah, recently had an informal discussion with the prominent officials and non-officials of the State on 'Rural Improvement.' Speaking about co-operation, he said, that generally they failed in their objective for the inspectors of the State were saddled with too much work. Replying to some of the questions by those present Dr. Hatch said that villagers must make efforts to do things for themselves and the Government would come forward to help them whenever necessary and offer them expert advice. He suggested that subsidiary industries such as bee-keeping and poultry-farming, which were the important industries of the State should be run on improved methods.

* * *

During the last co-operative year the Tinnevelly District Co-operative Central Bank practised severe retrenchment of staff owing to the shrinkage in loan transactions. The heavy surpluses had been invested in G. P. Notes. By selling a portion of them the Bank made a profit of nearly Rs. 45,000. The rate of interest to societies which was 6¼ per cent last year has been reduced to 5½ per cent in the current year. The overdues under principal and interest were 50·2 per cent and 9·1 per cent respectively. But an examination of individual loans in 61 societies has revealed the fact that the loans are generally well secured and that loans of only Rs. 1,869 out of Rs. 2·45 lakhs might lead to loss. The Bank earned a net profit of Rs. 69,395-10-0.

* * *

The Directors of the Viziavada Co-operative Bank, Bezwada, claim in their administration report for 1934-35 that their Bank was the first to reduce the lending rate to societies from 6 per cent to 5 per cent on condition that the societies should lend to their members at 6⅝ per cent. It issued loans amounting to Rs. 4,36,237 to the societies during the year and recovered Rs.3,76,493. The percentage of balance to demand under principal amounted to 24·46 as against 32·75 of the previous year; but that under interest remained unchanged at 4.4 per cent. Under the

rectification scheme of the Registrar, 60 societies were examined. Out of loans amounting to Rs. 1,84,760, the bad debts are estimated to be Rs. 16,444. The working of the bank during the year under review resulted in a net profit of Rs. 5,715-5-0.

* * *

The Government of Madras having decided to try the experiment of giving loans for debt redemption in East Godavari and Chingleput, the Rural Reconstruction Centre at Alamuru arranged for a conference of agriculturists in order to give an opportunity to the Special Loans Officer to explain the terms and conditions of the proposed loans. He explained among other things that it was proposed to limit loans to persons whose propety was not worth more than Rs. 3,000 and that the indebtedness should not be more than Rs. 2,000. Mr. N. Satyanarayana, Convenor of the conference, voiced the opinion of the ryots that the limit of Rs. 3,000 was low for the area and if the relief measure should benefit any considerable class the property limit should be raised to Rs. 10,000.

* * *

In 1922 a California judge rendered judgment on a loan of $ 100 made in 1897, with interest at 10 per cent. monthly, compounded monthly. The amount of the judgment, which required a staff of clerks several days to compute, was the immense sum of $ 304,840,332,912,685. 16—all out of a $ 100 note in 25 years! Needless to say the judgment was not collected. One dollar placed at simple interest at the time of the birth of Christ, at 4 per cent. would amount to merely $ 78·24; compunded annually the amount would be, in round numbers, $ 600,000,000,000,000,000,000,000,000,000,000!

(*Manitoba Co-operator.*)

* * *

As co-operators we boast that our organizations are thoroughly democratic, that we follow the principle of one man one vote and that every member has an equal voice in the control of our mutual affairs. But if only a few attend the meetings there is not much democracy after all. The annual meeting of the local organization is the members' opportunity to make their control effective. It is the place to get information as to how the business has been conducted during the past year and to express approval or disapproval of the actions of the directors and officers. It is the place to elect new directors and to inform them as to the wishes of the members and to appoint delegates to represent the locals at the annual meetings of the central organizations. These duties should not be left to a few: every member should be on hand if it is physically possible. (*Manitoba Co-operator.*)

List of Societies Registered in November Last.

S. No.	Name.	District.
1	Mangalapuram Better Living Co-op. Society ...	Madras City.
2	Perambur Co-op. Building Society ...	"
3	The Madras Co-op. Sugar Marketing Society ...	"
4	Kesavanallathur Weavers' Purchase and Sale Society.	Chingleput.
5	Rozanagaram Weavers' Purchase and Sale Society.	"
6	Ekkadu Weavers' Purchase and Sale Society ...	"
7	Iyyangar Gualm Sri Subrahmania Better Living Society.	"
8	Nidubrolu Crop Loan and Sale Society ...	Guntur.
9	The Tengal Cambli Weavers' Co-op. Purchase and Sale Society.	Anantapur.
10	The Idaichivilai Co-op. Better Living Society ...	Tinnevelly.
11	Parapadi Co-op. Society ...	"
12	Pappinisseri Co-op. Stores ...	Malabar.

List of Societies whose Registration has been cancelled in November Last.

	Name of the Society.	District.	Date of Cancellation
1	Mukundagiri Land Holders' Lease C. S.	Chingleput ...	27-10-35.
2	Namakkalpalayam C. S. ...	Coimbatore ...	4-11-35.
3	Murungapettai Fishermen C. S. ...	Trichinopoly ...	4-11-35.
4	Kannigaiper C. S.	Chingleput ...	5-11-35.
5	Agricultural Subordinates C. S. ...	Bellary ...	5-11-35.
6	Nellore Co-op. Paddy Sale C. S. ...	Nellore ...	5-11-35.
7	Arkonam Co-op. House Building C.S.	North Arcot ...	5-11-35.
8	Ramalingapuram C. S. ...	Chingleput ...	6-11-35.
9	Arigathurai C. S.	do ...	6-11-35.
10	Rayadrug Govt. Servants' C S. ...	Bellary ...	6-11-35.
11	Madapalli Mogers' C. S. ...	Malabar ...	7-11-35.
12	Kallur C. S.	do ...	8-11-35.
13	Perumbakkam C. S. ...	Chingleput ...	9 11-35.
14	Chittamur C. S.	do ...	11-11-35.

	Name of the Society.	District.	Date of Cancellation.
15	Kadalamangalam C. S. ...	Chingleput ...	11-11-35
16	Narrikkode C. S.	Malabar ...	12-11-35
17	Nelvoy Co-op. Supervising Union ...	Chingleput ...	15-11-35
18	Teethalam F. L. C. S. ...	do ...	20-11-35.
19	Kakarlamudy C. S.	West Godavari ...	20-11-35.
20	Ayyamcheri C. S.	Chingleput ...	20-11-35.
21	Dandagara C. S.	West Godaveri ...	20-11-35.
22	Porpadakurichi C. S.	South Arcot ...	21-11-35.
23	Nagar C. S.	do ...	21-11-35.
24	Mamanandal	do ...	21-11-35.
25	Kancharlapalem Adi-Andhra C. S. ...	Guntur ...	22-11-35.
26	Arasakughi C. S.	South Arcot ...	22-11-35.
27	Vellapandal C. S.	Chingleput ...	23-11-35.
28	Kallakurichi Spinners and Weavers C. S.	do ...	25-11-35.
29	Rayadurg Local Board Employees C. S.	Bellary ...	26-11-35.
30	Thanakolathur C. S. ...	Malabar ...	26-11-35.
31	K. Thirvuvarangam C. S. ...	do ...	27-11-35.
32	Narikelapalli C. S.	Guntur ...	28-11 35.
33	Vadakailasm C S.	South Arcot ...	28-11-35.
34	Vettapattu C. S.	North Arcot ...	28-11-35.

G. O. and Registrar's Circular.

GOVERNMENT OF MADRAS.

Abstract.

Co-operative Societies: Central Land Mortgage Bank—Debentures—Government guarantee—Increase from Rs. 50 lakhs to Rs. 100 lakhs—Sanctioned.

DEVELOPMENT DEPARTMENT.

G. O. No. Ms., 1648. *Dated 26th November 1935.*

ORDER.

In notification No. 353, dated 2nd October 1934, published at page 1825 of Part I of the Fort St. George Gazette, dated 9th October 1934, the Government of Madras have declared that all debentures issued by the Board of Directors of the Central Land Mortgage Bank under sub-section (1) of Section 4 of the Madras Co-operative Land Mortgage Banks Act, 1934, on or subsequent to 31st July 1934 redeemable within a period not exceeding 25 years from the date of issue and bearing a rate of interest not exceeding 5 per cent. per annum shall be fully and unconditionally guaranteed by the Government as regards the principal and interest, provided that the total aggregate face value of the debentures carrying the guarantee shall not exceed Rs. 50 lakhs, exclusive of the value of such debentures as may have been redeemed by the Board from time to time. Under Sub-section (2) of Section 6 of the Act aforesaid, the Government after consulting the Legislative Council, are now pleased to increase the maximum amount of the guarantee given by them in respect of the debentures issued by the Central Land Mortgage Bank to a total face value of Rs. 100 lakhs exclusive of such debentures as the Bank may from time to time redeem, subject to the periods of issue and the rate of interest specified in the notification No. 353, dated 2nd October 1934 referred to above. The Government have no objection to the inclusion of the terms of this further guarantee in the debentures to be issued by the Bank which satisfy the foregoing conditions.

(By Order of the Government, Ministry of Public Works).

C. A. HENDERSON,
Secretary to Government.

B. 7318/35.

OFFICE OF THE
OF CO-OPERATIVE SOCIETIES,
Madras, 3rd December 1935.

T. AUSTIN ESQ., I. C. S.,
Registrar of Co-operative Societies.

CIRCULAR.

Sub: Loans—extensions for repayment of old loans Resolution No. VII—passed at the XXI Madras Provincial Co-operative Conference.

In the first part of the resolution quoted it has been resolved "that extension of time for the repayment of loans be given to members of co-operative societies, who give proper security as cover, for periods extending up to ten years". The matter has been already considered by the Registrar and instructions issued on the subject. The attention of the officers of the Department and of the District Co-operative Central Banks is invited to the scheme drawn up by the Registrar for adoption by the central banks for an intensive examination of all outstanding loans in primary societies. In paragraph 2 of the scheme it has been laid down that only borrowers who can be relied upon to pay out of income should be given extension of time and that the period of extension shall not ordinarily exceed one to three years. The Registrar has no objection to have the limit of extension ordinarily between 3 to 5 years. Extensions for longer periods will not be desirable or necessary, in the ordinary circumstances. In *exceptional* cases the periods may however be extended up to *10 years*, regarding being had to the special circumstances of the members concerned, the working of the society and the financial resources of the Central Bank.

(By Order),

K. A. PADBHANABHAN,
Manager.